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BY ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: 2006 Modification of Average Schedules, WCB Docket No. 05-347

Notice of *Ex Parte* presentation

Yesterday Pat Chirico, Steve Quinnan, and Jeff Dupree of NECA met with Judith Nitsche, Douglas Slotten, Eugene Gold, Jennifer McKee, and Jay Atkinson (who participated via telephone), to discuss changes in DSL tariff rates. In particular, the group discussed a DSL Discount Pricing Arrangement (DPA) simplification and Volume Pricing Plan (VPP) introduction targeted for April 1, 2006. The parties also discussed potential selective Special Access rate banding, subject to review of demand and cost trends, targeted for July 1, 2006.

In addition, the parties discussed a potential change to the average schedule formulas proposed for July 2006, which would modify the Tariff Rate Index formula for special access settlements. The attached draft, *Impacts of Proposed Tariff Changes on Average Schedules*, was used for discussion purposes.

These proposals will likely require further modification of NECA's previously filed *2006 Modification of Average Schedules* filed December 30, 2005.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe A. Douglas". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

Joe A. Douglas

cc:

Judith Nitsche
Douglas Slotten
Eugene Gold
Jennifer McKee
Jay Atkinson
Best Copy

Impacts of Proposed Tariff Changes on Average Schedules

Proposed Tariff Changes

- DSL Discount Pricing Arrangement (DPA) simplification and Volume Pricing Plan (VPP) introduction targeted for April 1, 2006
- Potential selective Special Access rate banding, subject to review of demand and cost trends, targeted for July 1, 2006
- These tariff changes will impact study area revenues in varying proportions

Tariff Rate Index (TRI) Adjustments

- The TRI adjusts for changes in tariff rates subsequent to when the average schedule formulas are filed with the FCC
- The TRI keeps a study areas' special access settlements whole by modifying the effective retention ratio to offset tariff rate changes
- The current TRI is designed for use with special access revenues billed by all companies using a common set of rates
- The TRI could continue in its current structure but settlement accuracy may not be maximized
- The TRI could be enhanced, by banding it, to reflect the varying revenue impacts of targeted rate changes such as the VPP and rate banding
- The change of the TRI formula to a banded structure would likely have to be filed with the FCC
- Additional data is being collected to implement TRI banding

Average Schedule Tariff Rate Index (TRI) Method Change

Illustration of a hypothetical population of three study areas, each with: special access achieved demand equal to projected demand, \$100,000 projected monthly revenues and a 90% retention ratio, but with different tariff rate change impacts.

	A	B	C	D	E
	Total Projected in Dec. 2005	Study Area in TRI Band 1	Study Area in TRI Band 2	Study Area in TRI Band 3	Total Actual Revenues and Settlements
1 Projected Revenues for July 2006	\$300,000	\$100,000	\$100,000	\$100,000	
2 Proposed Retention Ratio	90%	90%	90%	90%	90%
3 Proposed Settlements for July 2006	\$270,000	\$90,000	\$90,000	\$90,000	

Current TRI Method

4 Tariff Rate Change Revenue Impact	NA	-5%	-10%	-15%	-10%
5 Actual Revenues for July 2006	NA	\$95,000	\$90,000	\$85,000	\$270,000
6 Tariff Rate Index [1 / (1 + E4)]	NA	1.11	1.11	1.11	1.11
7 Current Method Settlement (2 x 5 x 6)	NA	\$95,000	\$90,000	\$85,000	\$270,000

The overall average TRI produces the correct total settlements, but within bands projected settlements do not equal actual settlements because of unequal tariff rate changes.

Proposed TRI Method

8 Actual Revenues for July 2006		\$95,000	\$90,000	\$85,000	\$270,000
9 Proposed Retention Ratio		90%	90%	90%	90%
10 Tariff Rate Index [1 / (1 + Line 4)]		1.05	1.11	1.18	
11 Proposed Method Settlement (8 x 9 x 10)		\$90,000	\$90,000	\$90,000	\$270,000

Within bands and overall, projected settlements equal actual settlements, because of the banded Tariff Rate Index